

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

OCT 21 1983

Gentlemen:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted indicates that you were incorporated [REDACTED], under the laws of the State of [REDACTED]. Your stated purposes are "to transact any and all lawful business for which corporations may be incorporated under the [REDACTED] Non-Profit Corporation Act."

Your by-Laws, which were adopted on [REDACTED], states your purposes are "to bring together all persons who love [REDACTED], its flag, its land, its people and its religious heritage, and who are willing to forego their own whims and desires to see a free [REDACTED], Democratic and Constitutional, with Liberty and Justice for all; to foment among all our people a spirit of Unity, Equality and Responsibility, toward their Mother Country, [REDACTED], and towards all people who love [REDACTED], and who want to see her free of the infamous yoke under which it now drowns; to establish and maintain a Community Center, where all our members can go to participate in reunions, meetings, functions and social events, where we can find clean, wholesome recreation in the company of our fellow patriots. There also to render moral and material aid and comfort to our fellow members in need; to participate in and sponsor member activity in cultural, aesthetic and intellectual events; to sponsor member concurrence to public events that would promote national unity; to participate individually and jointly in sporting and recreational activities; to organize sporting teams to participate in community leagues, competitions and contests; to provide services to our members that may be of social or professional benefit to them and their family; to gather and make known valid and truthful information about [REDACTED]."

Membership in your organization shall be open "to all who love their mother country, freedom and democracy and who are opposed to communism." You state "there are no qualifications or requirements to be members."

Your meetings are held every Wednesday in the home of your President, [REDACTED]. You presently have [REDACTED] members and your membership is [REDACTED] members a month.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
		[REDACTED]					
Surname		[REDACTED]					

[REDACTED]

You have had several gatherings in [REDACTED]'s home in which funds were raised, and there have been two social events (dances) that have raised funds. These activities are open to anyone who wishes to participate and also serves as a membership drive. Your methods of attracting members are usually by word-of-mouth, and at your different activities. You have not as yet advertised in any type of media for membership, but plan to do so in the future.

The activities that sponsor national unity are gatherings that are held at least once a month, usually in [REDACTED]'s home, in which you discuss problems of your mother country and methods of helping to resolve these situations. You state that this promotes unity among your members. At your gatherings you have recognized leaders of [REDACTED] lecture on the problems of that country. Also, at times, you distribute newsletters, documents, writings, sometimes newspapers that updates the progress of [REDACTED] and its national and international activities.

You state that you are not engaged in any political activities, but you look more toward the humanitarian point. You seek to assist in the human rights view and not placing, using, or initiating any political activities. You have worked with several local churches to gather food and clothes to help the people of the neighboring country [REDACTED].

Your application, Form 1024, states that you are presently engaged in a fund raising activity in which funds will be used to build or purchase facilities for a community center. You further state that through social activities, sport games and items of that nature, you hope to raise funds for your community center. "The purpose of the center is to have a gathering place in which members can have social activities as well as a place to study and play games. This community center, when it comes into existence will have social and recreational areas, as well as a library area where members can study or read. This would be restricted for members, but if a member brings someone of the general public with him or her, they would not be turned away." "We are all working toward this goal of a center for the members."

You have a political affairs committee that gathers information about [REDACTED] and presents it at your gatherings. Your financial committee reports after each activity as to how the gain or loss was attained. Your public relations committee is responsible for all communications between members as to meetings, etc., and to inform outside interests about this organization, and your Social Affairs Committee is set up when a social activity is planned.

Schedule D of your application states that you plan to seek public patronage by advertisements or otherwise, for the purpose of raising funds for your community center. Nonmembers, other than guests, are permitted to participate in your activities.

Section 501(c)(7) of the Internal Revenue Code provides exemption for:

"Clubs organized for pleasure, recreation and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder."

Section 1.501(c)(7)-1(b) of the Income Tax Regulations states that:

"...Solicitation by advertisement or otherwise for public patronage of its facilities is prima facie evidence that the club is engaging in business..."

Section 1.501(c)(7)-1 of the regulations provides, in part, as follows:

"(a) The exemption provided by section 501(a) for organizations described in section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities."

Revenue Ruling 69-527, 1969-2 Cumulative Bulletin 125, states that because a club must be organized for pleasure, recreation, and other nonprofitable purposes, not only must an organization seeking exemption under 501(c)(7) of the Code prove that its members are bound together by a common objective, but also that such common objective is directed towards pleasure, recreation, and other nonprofitable purposes. Thus, a social club formed to assist its members in their business endeavors through study and discussion of problems and other activities at weekly meetings does not qualify for exemption since any social activity at the meetings are merely incidental to the purpose of the organization.

Although the governing instrument of an organization is not required to state that it is organized exclusively for pleasure, recreation and other nonprofitable purposes, the instrument cannot expressly authorize the club to engage in activities beyond the scope of section 501(c)(7) of the Code to a degree that would prevent the organization from being properly described as a social club. Your stated purposes included in your Articles of Incorporation "to transact any and all lawful business for which corporations may be incorporated under the [redacted] Non-Profit Corporation Act" are too broad, and thereby allows for activities that may or may not be social and recreational in nature. In applying the term "for pleasure, recreation and other purposes" the Service has long held and was sustained by the courts. This means other purposes similar to pleasure and

Regulations 1.501(c)(7)-1 states that the conduct of business activities, including public use of a club's social and recreational facilities, is incompatible with exemption under Internal Revenue Code 501(c)(7). Revenue Ruling 58-589, 1958-2, Cumulative Bulletin 266, states that the bar against public use of a club's social and recreational facilities exists because use of profits from the public to support activities for members constitutes prohibited inurement.

Regulations 1.501(c)(7)-1(b) states that solicitation of public patronage of facilities or activities, by advertising or otherwise, is prima facie evidence that a club is engaged in business and is not being operated exclusively for pleasure, recreational, or social purposes.

Revenue Ruling 58-589, 1958-2 Cumulative Bulletin 266, states that the use of profits from the general public to support activities for members constitutes prohibited inurement to the members.

Based on the information presented, we have concluded that you do not qualify for exemption under section 501(c)(7) of the Internal Revenue Code. As indicated in your application and organizational documents, your main intent and purpose is the discussion and resolution of problems relating to political issues regarding [REDACTED]. Since your purposes, as stated in your Articles of Incorporation indicate that your purposes and objectives are to transact any and all lawful business for which corporations may be incorporated under the [REDACTED] Non-Profit Corporation Act, you do not meet the requirements of Section 501(c)(7) of the Code.

Since you are planning solicitation of public patronage of your club facilities, and conducting fund raising activities which include the general public, you are engaging in business with the general public. In addition, exemption is not granted to organizations whose membership requirements are broad or vaguely stated.

Accordingly, it is held that you are not entitled to exemption from Federal income tax under section 501(c)(7) of the Code, and you are required to file income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

[REDACTED]

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

Sincerely,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018